



Asset Registration and Use Program, v1.0  
Process and Policies for Asset Transaction Registration  
Tero Carbon Avaliações e Certificações S.A.



## **ASSET REGISTRATION AND USE PROGRAM**

**Process and Policies for Asset**

**Transaction Registration**

**Version 1.0**

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**TERO CARBON AVALIAÇÕES E CERTIFICAÇÕES S.A.**



Dear customers,

It is with great pleasure that I present to you our Asset Registration and Usage Program. This program has been developed with the goal of providing a robust and transparent framework for managing environmental assets, ensuring that all operations are conducted in accordance with international best practices and the most rigorous compliance standards.

At the heart of this program are our commitments to integrity, transparency, and security. At Tero Carbon, we believe that the credibility of the carbon market depends on clear and reliable processes. Therefore, we have established strict policies for asset issuance, transfer, and retirement, using Polygon's blockchain technology to ensure traceability and immutability of all transactions. Additionally, we issue Digital Certificates (NFTs) that are stored on IPFS and published on OpenSea, promoting accessibility and public transparency. Furthermore, we are the first and only Brazilian certifier to report records to the CAD Trust metadata platform.

Our program also includes strict measures to prevent double counting of assets and the re-kenization of retired assets, ensuring that each environmental asset maintains its integrity and unique value. We reaffirm our policy of not allowing the retirement of carbon stocks to offset greenhouse gas (GHG) emissions, ensuring that emissions offsets are always based on real and verifiable reductions.

By publicly reporting records on external and international platforms, we are preparing Tero Carbon to comply with future regulations, such as the Brazilian Emissions Trading System (SBCE). This additional effort reinforces our commitment to providing the highest level of transparency and security for our clients and partners.

We are confident that Tero Carbon's Asset Registration and Use Program will meet your expectations and contribute significantly to the integrity and efficiency of the carbon market. We appreciate your trust and continued partnership, and we are available for any clarification or support you may need.



Brazil, Manaus, August 19, 2024.

Yours sincerely,

A handwritten signature in black ink that reads "Francisco Higuchi". The signature is written in a cursive, flowing style.

Francisco Gasparetto Higuchi, PhD.  
CEO, Tero Carbon



## IDENTIFICATION

<b>DOCUMENT</b>	Asset Registration and Use Program - Process and Policies for Asset Transaction Registration
<b>VERSION</b>	1.0
<b>SCOPE</b>	Use and recording of environmental asset transactions
<b>GOVERNANCE</b>	Steering Committee
<b>STATUS</b>	In Public Consultation
<b>PUBLIC CONSULTATION PERIOD</b>	08/19/2024 to 09/17/2024 (30 days)



## SUMMARY

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## ACRONYMS

CAD	Climate Action Data
GHG	Greenhouse Gas
IPFS	InterPlanetary File System
NFT	Non-Fungible Token
SBCE	Brazilian Emissions Trading System ( <i>Sistema Brasileiro de Comércio de Emissões</i> )

## 1. Introduction

Tero Carbon's Asset Registration and Usage Program is designed to provide a robust and transparent framework for managing environmental assets. By utilizing cutting-edge technology such as Polygon's<sup>1</sup> blockchain and decentralized storage on IPFS, we ensure the traceability, immutability, and public accessibility of all our operations. This program covers all stages, from asset issuance to transfer and retirement, ensuring that each transaction is conducted with the highest standards of integrity and security.

Our commitment to transparency is reflected in the issuance of Digital Certificates (NFTs) for each transaction, which are published on OpenSea and CAD Trust, allowing for public verification. Additionally, we have implemented rigorous measures to prevent practices that could compromise market integrity, such as double counting and the re-tokenization of retired assets. By publishing transactions on international platforms, Tero Carbon is prepared to comply with future regulations, such as the Brazilian Emissions Trading System (SBCE), ensuring that our clients and partners can fully trust our processes.

## 2. Purpose

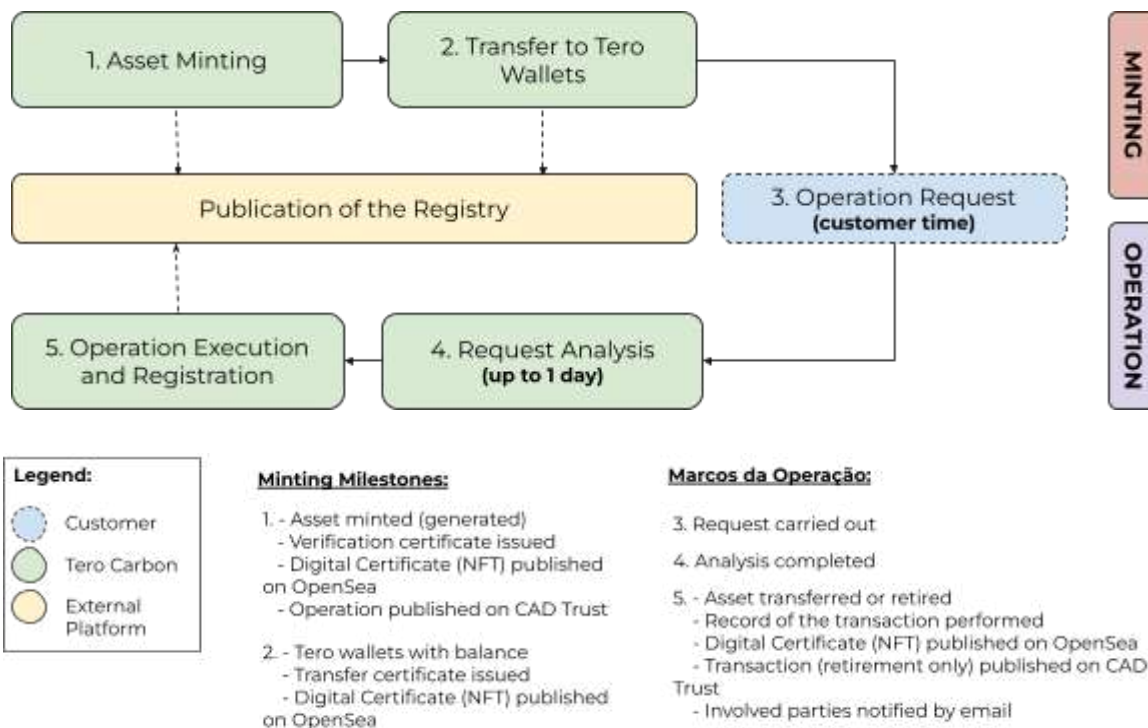
The objective of Tero Carbon's Asset Registration and Use Program is to ensure the transparent and safe management of all environmental assets, adhering to international best practice principles. This involves implementing clear procedures for issuance, transfer, retirement and cancellation of assets, a robust system for identifying and tracking units, a transparent definition of the legal nature and ownership of assets, and rigorous measures to avoid duplication in marketing and use.

## 3. Process Flow (Step by Step)

The process of recording transactions with assets at Tero Carbon follows a sequential flow of macro-activities, as illustrated in **Figure 1**, with average times indicated for each stage.

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<sup>1</sup> Polygon is involved in a range of environmental initiatives, including purchasing carbon credits to offset the emissions associated with its operations.



**Figure 1:** Flowchart of the steps and processes for recording asset operations at Tero Carbon.

## 4. Description of the Asset Minting Steps

### 4.1 Asset Minting

The asset minting stage at Tero Carbon is a detailed process that involves generating an environmental asset through the registration of an NFT (non-fungible token) on the Polygon public network. Initially, the main project data recorded on the Tero Platform, which includes essential information about the carbon credit or carbon stock, is stored securely and permanently in the InterPlanetary File System (IPFS). The use of IPFS ensures that data is immutable and accessible in a decentralized manner, increasing the transparency and reliability of information.

During registration on the blockchain, a unique identification code (*hash*) which exclusively represents the environmental asset. This *hash* is crucial to ensuring asset traceability and integrity. Then, the project's main data is securely stored in IPFS, and the generated hash is linked to this data. This process ensures that information is immutable and accessible in a



decentralized manner, providing an additional layer of transparency and security.

## **4.2 Transfers to Tero Wallets**

After the environmental asset is minted, if the project has more than one shareholder with participation percentages previously defined on the Tero Platform, Tero Carbon automatically transfers the assets to each shareholder according to their respective proportions. This transfer updates the balance of environmental assets in the shareholders' Tero Accounts in a transparent and accurate manner. The operation is recorded on the Polygon blockchain, ensuring that each transaction is traceable and secure. The generation of a unique hash for each transfer ensures the integrity and authenticity of the operation, in addition to facilitating asset traceability. For each transfer made, Tero Carbon issues Digital Certificates (NFTs) that represent the transfer of assets to shareholders.

## **5. Description of the Asset Operations Registration Steps**

### **5.1 Operation Request**

Tero Carbon customers can make transaction requests directly through the Tero Platform, with the convenience of being able to do so at any time, as long as they have a balance in their wallet. Available operations include the transfer and retirement of environmental assets, each meeting different client needs and objectives.

### **5.2 Request Analysis**

After submitting a transaction request on the Tero Platform, the Tero Carbon team performs a detailed analysis to ensure the compliance and security of the transaction. This step is crucial to validate all information provided and ensure that operations are carried out in accordance with the policies and standards established by Tero Carbon.

During the analysis, Tero Carbon may request additional information from the customer to complement the request. This may include contracts, agreements or confirmations from the parties involved, especially in cases of large volume asset transfers or retirements. This additional information is essential to verify the legitimacy of the request and ensure that all parties are in agreement with the proposed transaction.

Once all necessary information is received and verified, Tero Carbon approves the transaction. If the request does not meet the established criteria or the information provided is insufficient, Tero Carbon communicates to the customer the reasons for rejection and, if possible, advises on the steps necessary to correct or complete the request. This rigorous analysis process not only guarantees the integrity and safety of operations, but also reinforces customers' trust in Tero Carbon as a reliable and transparent entity in the management of environmental assets.

### **5.3 Operation Execution and Registration**

In the Operation Execution and Registration stage by Tero Carbon, the transfer and retirement operations of environmental assets are settled, with the due updating of the balances in the Tero Accounts of those involved. This critical phase ensures that all transactions are completed securely and transparently.

After analyzing and approving the request, Tero Carbon proceeds with the execution of the operation. For transfers, assets are transferred to the Tero Accounts of customer-specified recipients. Simultaneously, for retirements, assets are removed from circulation and marked as retired on the Polygon blockchain. Each operation is recorded immutably on the blockchain, ensuring the traceability and integrity of transactions.

Additionally, Tero Carbon issues Digital Certificates (NFTs) of Transfer or Retirement for each operation carried out. These NFTs are stored on IPFS to ensure the permanence and accessibility of records in a decentralized manner. Furthermore, they are published on the OpenSea Platform, offering public and transparent proof of the execution of the operation.

To keep those involved informed, all parties receive automatic email notifications as soon as the transaction is completed. This communication process ensures that all participants are aware of and can verify transaction details quickly and efficiently.

### **5.4 Publication of the Registry**

The publication of the registry seeks to comply with Article 6 of the Paris Protocol. In this sense, once the registration NFT is generated for the minting,

transfer or retirement of an asset, the operation is published on the OpenSea platforms<sup>2</sup> e CAD Trust<sup>3</sup>.

OpenSea, one of the largest NFT marketplaces in the world, acts as a means of viewing public information about the project and operation, allowing anyone to consult the details of the environmental asset, reinforcing the transparency of the process. At OpenSea, the NFT is associated with the generated hash and data stored in IPFS, providing a complete and public view of project information.

CAD Trust, in turn, is a metadata layer that aggregates and harmonizes data from carbon credit programs around the world to enable efficient and reliable markets of the future.

By publicizing its operations records on external platforms, Tero Carbon adheres to the highest international tracking and compliance standards. These external platforms provide an additional layer of independent verification, increasing credibility and trust in the transactions carried out. Furthermore, this approach prepares Tero Carbon to comply with the future Brazilian Emissions Trading System (SBCE), where it will be necessary to communicate and record environmental asset operations in official systems.

This step is crucial for adhering to the principles of Offset Credit Issuance and Retirement Procedures, ensuring that all processes for issuing, retiring, and canceling credits are clearly documented and publicly disclosed. The identification and tracking of units are enhanced through the use of unique serial numbers and publication on robust and secure platforms. Tero Carbon clearly defines the legal nature and ownership of the assets, ensuring that each transaction is transparent and traceable, preventing double counting and maintaining the integrity of the carbon credit system.

## 6. Chain of Custody

The Environmental Asset Chain of Custody at Tero Carbon is a rigorous process that ensures the integrity, traceability and legal compliance of all managed environmental assets. From minting to retirement, each step is

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<sup>2</sup> Tero Carbon Verification Certificates Area.

<https://opensea.io/collection/tero-carbon-verification-certificates>. Accessed in August 2024.

<sup>3</sup> CAD Trust Data Dashboard: <https://climateactiondata.org/data-dashboard/>. Accessed in August 2024.

designed to adhere to international best practices and legal requirements, ensuring assets are managed transparently and securely.

### *1. Minting and Initial Registration:*

The chain of custody begins with the minting of the environmental asset. After verification and approval of project data, key data is stored in the InterPlanetary File System (IPFS). Next, an NFT (non-fungible token) is minted on the Polygon blockchain network, generating a unique identification code (*hash*). This hash is linked to the data in IPFS, ensuring the immutability and traceability of the asset. Each project shareholder receives the due amount of the asset in their Tero digital wallet (Account on the Tero Platform), making it available for the owner of the asset (user of the Tero Platform) to record operations.

### *2. Transfer of Assets*

When assets are transferred, the asset owner (user) makes the request on the Tero Platform, indicating the recipient (third-party user) and the quantity of assets to be transferred. Tero Carbon analyzes the request and, after approval, executes the transfer. The operation is recorded on the Polygon blockchain, updating the balances in the Tero Accounts of those involved. Digital Transfer Certificates (NFTs) are issued and published on third-party platforms, ensuring that all parties can verify the authenticity and traceability of the operation.

### *3. Asset Retirement*

To retire assets, the asset owner (user of the Tero Platform) can choose to retire on behalf of their organization or an external third party, providing the necessary data. After the request, Tero Carbon carries out the analysis and, once approved, the operation is registered on the blockchain. Assets are removed from circulation and marked as retired, preventing any future use. Digital Retirement Certificates (NFTs) are issued. Finally, the record is published on third-party platforms, ensuring the transparency and traceability of the operation.

#### *4. Publication of Records*

In addition to internal registration on the Polygon blockchain, Tero Carbon also publishes its registrations on external third-party platforms international, such as OpenSea and CAD Trust. This practice implies transparency, security and reliability of environmental assets. By adhering to internationally recognized platforms, Tero Carbon ensures that its operations are widely verifiable and accepted in global markets. This step also prepares the company for compliance with the future Brazilian Emissions Trading System (SBCE), ensuring that all records are communicated and carried out in accordance with official requirements.

#### *5. Guarantee of Integrity and Transparency*

Tero Carbon implements robust security mechanisms to protect the integrity of environmental assets. Each unit is uniquely identified, and all transactions are recorded immutably on the blockchain. The use of IPFS ensures that project data is permanent and accessible in a decentralized way. All procedures, from issuance to retirement, are publicly disclosed on third-party platforms with global reach, reinforcing confidence in the system.

#### *6. Compliance with International Principles and Standards*

Tero Carbon's chain of custody is designed to comply with international best practice principles, including:

- Offset Credit Issuance and Retirement Procedures: Clear procedures for issuing, retiring and canceling credits.
- Identification and Tracking: Individualized tracking with serial numbers, robust security and clear identification of owners.
- Legal Nature and Transfer of Units: Clear definition of asset attributes and ownership, with transparent transfer processes.
- Avoiding Double Counting: Strict measures to prevent double counting and ensure the integrity of claims.

Through an integrated approach that combines cutting-edge technology, legal compliance and transparency, Tero Carbon ensures that the chain of custody of environmental assets is safe, reliable and efficient, meeting the demands of global carbon markets and the expectations of *stakeholders*.

## **7. Tero Carbon Integrity Policy**

Tero Carbon is firmly committed to maintaining integrity and transparency in the environmental assets market. In line with our principles and rigorous practices, we have established clear policies that prohibit certain practices that could compromise the credibility and effectiveness of our systems and the carbon market as a whole.

### **1. Prohibition of Carbon Stock Retirement to Offset GHG Emissions**

Tero Carbon does not allow the retirement of carbon stock assets for the purpose of offsetting greenhouse gas (GHG) emissions. The carbon stock is intended to represent carbon sequestration and storage capacity, and should not be used as a direct substitute for carbon credits generated by emission reduction or removal projects. This policy ensures that GHG emissions offsets are based on real and verifiable reductions.

### **2. Prohibition on Retokenization of Retired Assets**

To maintain the integrity of the environmental asset registry, Tero Carbon strictly prohibits the re-kenization of assets that have been retired. Once an asset is retired, it is permanently removed from circulation and marked as such on the blockchain. This practice prevents retired assets from being reused or resold, ensuring that each retirement represents a final and irrevocable action.

### **3. Prevention of Double Counting in Marketing**

Tero Carbon implements strict mechanisms to avoid double counting in the sale of environmental assets. Each asset unit is uniquely identified and tracked throughout its useful life. Transactions are recorded transparently and immutably on the blockchain, ensuring that the same asset cannot be sold or claimed more than once.

### **4. Prohibition of Double Counting in the Use of Assets**

In addition to preventing double counting in marketing, Tero Carbon also ensures that double counting does not occur in the use of environmental assets. This means that an environmental asset cannot be used simultaneously for multiple emissions reduction or offset claims. This principle is fundamental to guarantee the credibility of the emission reductions claimed by our customers.

## **Commitment to Market Integrity**

Tero Carbon is committed to promoting a fair, transparent and effective carbon market. The policies of not allowing the retirement of carbon stocks for GHG offsets, the prohibition of re-kenization of retired assets, and the prevention of double counting in the trading and utilization of assets are part of our ongoing effort to ensure the integrity of the carbon market . We believe these practices are essential to maintaining stakeholder trust and ensuring that climate actions are based on real, verifiable emissions reductions.

These policies reflect our commitment to international best practices and legal compliance, establishing Tero Carbon as a trusted and innovative leader in the certification and registration of environmental assets.

## **8. Fees**

Consult the Tero Carbon “FEE SCHEDULE” for information about the tariffs of operations records.

## **9. Claims**

Claims represent an essential channel for participants to express concerns, suggestions and feedback about various aspects of the program. THE claim process is designed to be transparent, accessible and responsive to the needs of those involved. When a claim is presented, it undergoes careful evaluation by the Steering Committee, which analyzes its validity and relevance. If an irregularity is identified or a suggested improvement is found to be valid, the Committee will take appropriate action to correct the situation or implement necessary changes. This process demonstrates the Tero Carbon Asset Registration and Use Program's commitment to ensuring equity, quality and continuous improvement, while fostering an environment where participants' voices are heard and valued.

The claim form (claim) is provided online through Tero Carbon's main communication channels. It can be anonymous and can receive suggestions, reports or complaints.

## 10. Steering Committee

THE Tero Carbon Program Steering Committee plays a key role in ensuring the integrity and effectiveness of the program. Composed of the certification body's administrators and its Advisory Board, the Committee is responsible for analyzing and judging irregularities, claims and requests within the program. Its role ranges from assessing cases of non-compliance to reviewing and approving new initiatives and guidelines. This body is vital to maintaining the highest standards of quality and transparency, ensuring that the Tero Asset Registration and Use Program meets its objectives in a fair and impartial manner. Additionally, the Committee plays a crucial role in communicating with program participants, ensuring their concerns are heard and addressed appropriately. Their expertise and commitment are essential to the continued success of the program and to strengthening the trust of all stakeholders involved.

## 11. Program Reviews

Reviews of Tero Carbon's Asset Registration and Use Program are a constant activity, where improvements can be identified and proposed periodically. These reviews involve a detailed analysis of all aspects of the program, from its initial objectives to its practical implementation and achieved results. During these processes, those responsible for the program evaluate its performance against international carbon market best practices, identify areas for improvement, and adjust strategies as necessary to ensure the program remains aligned with the expectations of participants and stakeholders. These reviews not only promote the continued excellence of the program, but also ensure its relevance and effectiveness in the dynamic context of the global carbon market, strengthening its credibility and trust among stakeholders.

### **Support:**

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## 12. Version History

VERSION	DATA	NOTES
1.0	08/19/2024	Initial version approved by Management and released for public consultation.